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SUBJECT: MEDIA REACTION; ARGENTINE PRESIDENT-ELECT CRISTINA KIRCHNER  
CHALLENGES; US-PERUVIAN FTA; 11/01/07

## 1. SUMMARY STATEMENT

Major international stories today include foreign analysts' and Argentine businessmen's expectations on the challenges ahead for Argentine President-elect Cristina Fernandez de Kirchner; and US House Ways and Means Committee passing an FTA between the US and Peru.

## 2. OPINION PIECES AND EDITORIALS

- "Businessmen hail CFK, foreign analysts frown"

Cole Perry, contributor to liberal, English-language "Buenos Aires Herald," writes (11/01) "Local businessmen hailed the victory of Cristina Fernandez de Kirchner as the continuation of the government's economic policies and the promise of improvement in the industrial sector in Buenos Aires, a group of six chamber presidents said. The optimism contrasts with the predictions of foreign economists, who believe the next four years will mark the end of President Nestor Kirchner's luck and a difficult future for Fernandez.

'With the arrival of Cristina not only do we anticipate the advancement of previous policies supporting the growth of the Argentine economy, but also an increase in investment that will allow us to move forward in the development of our sector,' Alberto Sellaro, president of the Chamber of Shoe Manufacturers, affirmed.

"... Argentina's economy has grown roughly eight percent per year since President Nestor Kirchner came to power in 2003... Yet, consumer confidence is down 21% from an all time high in January and most Argentines expect inflation to rise above 20% next year - a problem for investment when more than 40% of the country's bonds are indexed by inflation, according to a survey by Torcuato Di Tella University. Added to that, the country has lost around 6 billion dollars a year in direct foreign investment between 2001 and 2005.

"One of the main issues causing investor despondency is the lingering 6.3 billion dollar Paris Club debt. The Paris Club requires countries to have an IMF-sponsored economic program before they can renegotiate their Paris Club debt, but Argentina refuses to talk to the IMF...

"Another complication is Argentina's inability to issue debt due to international restrictions stemming from Argentina defaulting on \$ 100 billion dollars in sovereign debt in 2002... This is part of the reason many believe if Cristina Fernandez continues her husband's economic model the economy may drift out of control, despite the certainty of local businessmen.

"'There must be changes, otherwise inflation is not going to

disappear and the Kirchners are going to lose power...' Michael Shifter, of the Inter-American Dialogue told 'Clarín' yesterday. His comments have been echoed by various foreign authorities.

"The consequence of Kirchner's policies has been to boost economic growth in the short term at the expense of growth in the medium and longer term,' Ricardo Amorim, chief Latin American economist at WestLB AG in New York, told Bloomberg.co. Adding, 'Who is going to pay the bill? Very likely the next president: his wife.'

"These criticisms hit their strongest pitch in the caustic Washington Post editorial published on Monday...

"But, the pessimism of foreign analysts fails to dismay (Aldo) Karagozian, president of Argentina's largest textile lobby, or Sellaro. 'The 'Seora Presidenta' elect has the conviction that one of the pillars of the economy's growth is the industrial sector. This encourages us to believe in a future of development,' Sellaro said."

- "The US emphasizes (CFK's) victory, although asking for 'corrections' "

Hugo Alconada Mon, daily-of-record "La Nación's" Washington-based correspondent, comments (11/01) "Republicans, Democrats, US analysts and mass media share the same view regarding Cristina Fernandez de Kirchner. They underline her grand victory and hope she makes some 'corrections' in order to meet the country's 'challenges,' but they are not that hopeful.

"When opening a debate about Argentina's post-election reality, Peter Hakim, head of the Inter-American Dialogue, said yesterday: 'Argentina is today better off than four years ago, although it faces some challenges. The question is when those challenges will be met.'

"Claudio Loser, former IMF director for the Western Hemisphere, and Mark Falcoff, head of the American Enterprise Institute, agreed that the horizon seems more complicated than in recent years.

"Indicators suggest that patience with Cristina will be limited,' Loser explained, after seeing a gradual slump in the government's image. 'This will be in addition to serious economic difficulties, which is why Argentina is entering a very complicated period.' He calculated that local inflation is already over 20% per year.

"Falcoff mentioned some areas of concern - security, inflation, and a deteriorated infrastructure, among others. 'But most worrisome is institutions... What happens is that when institutions do not work, people go out to the streets.'

"... The Bush administration, just like Democrats, believes that the enigma will start to be solved with Cristina's first measures, such as the formation of her Cabinet...

"The unknown questions about Argentina's future under a Cristina administration were also reflected in the US mass media...

"The 'Los Angeles Times' said Fernandez de Kirchner 'will face serious challenges,' like inflation, the energy crisis or 'probably, an economic deceleration,' although it highlighted that she 'seems acutely aware that Argentina's economic well-being could be on tenuous ground.'

"... Regarding the international scenario, 'The Houston Chronicle' said that Cristina will have to balance her friendly ties to the US and to Venezuelan Hugo Chavez.' "

- "Another step towards a FTA between the US and Peru"

Ana Baron, leading "Clarín's" Washington-based correspondent, comments (11/01) "After two years of ups and downs, a key US Congressional committee finally approved an FTA between the US and Peru, which means a great victory for the Bush administration's trade strategy in the region.

"The US House Ways and Means Committee unanimously approved the deal, which practically assures its approval by Congress...

"In November 2003, vis-à-vis the stagnation in FTAA negotiations, former USTR Bob Zoellick announced that the US would make progress on bilateral or bloc FTAs...

"The US also seeks an FTA with Uruguay although this is not possible because Mercosur bylaws ban country-members from making such bilateral arrangements.

"The agreement will ensure tax-free access for Peruvian goods to US markets... Peru expects this access will pave the way for a better climate for foreign investment... For the US, the deal will eliminate tariffs on 80% of US exports to Peru and more than two-thirds of agricultural exports. Remaining tariffs will be removed within 10 to 15 years. Under the deal, Peru will also open its banks, insurance companies and other services to US corporations."

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